



Director of  
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The Overnight Reports, printed on yellow paper as the final section of the <i>Daily</i> , will often contain materials that update the Situation Reports and Briefs and Comments.	

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## SPECIAL ANALYSIS

### VIETNAM: The Post-Hostilities Economy

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Vietnam is clearly paying a high price for its invasion of Kampuchea, which led to the subsequent Chinese invasion of Vietnam. For all practical purposes economic development has been brought to a halt. The persistent problem of providing sufficient food for Vietnam's population has been exacerbated, and dependence on food imports increased. Badly needed human and material resources have had to be diverted from economic to military uses. The war has taxed Vietnam's already overburdened administrative system, and mobilization has seriously cut output and labor productivity. Vietnam has become increasingly isolated from the world economy and uncomfortably dependent on Soviet largess.

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Direct war damage has been limited to the area along the China-Vietnam border penetrated by the Chinese forces. The towns of Lao Cai, Cao Bang, and Lang Son were reported to be heavily damaged, with buildings and electric power systems destroyed and roads cut. The sparsely populated border area, however, is not economically important. Production there is limited generally to subsistence agriculture and some mining.

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The indirect costs of the war with Kampuchea and China have been heavy and have added to the enormous problems Vietnam has experienced since Hanoi's victory over South Vietnam in 1975. The military, for example, had been assigned a key role in the development of new farmland and in the rehabilitation and construction of irrigation and transport systems. These programs have now suffered, and Vietnam's efforts to reduce food imports have been set back.

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The war has forced a shift of key resources--especially rice and fuel--to the Kampuchean and Chinese fronts, reducing amounts available in the already rationed domestic markets. Food imports of over 2 million

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tons annually--largely from the USSR--have been sufficient to avert famine but inadequate to permit any rise in consumption standards or to force down high black market food prices. Internal commerce has suffered from the mobilization of civilian and military transport systems to support military operations. The main port of Haiphong has reportedly been restricted to military cargoes, further disrupting the supply and distribution of goods by forcing civilian ships to use other ports with poorer facilities. [redacted]

The war and the general mobilization have worsened Vietnam's already poor post-1975 record of management and labor productivity. National leaders, many of whom hold military rank, have been preoccupied with defense matters and decisions important to the operation of the centrally planned economy have been neglected. Regional and local level officials have been pressed into active duty, intensifying the serious shortage of lower level managers who are needed to improve both agricultural and industrial efficiency. Conscription has shifted much-needed labor from economic to military tasks. In addition to their regular duties, workers must now allocate two hours per day to military self-defense training and other mobilization tasks, further reducing labor productivity. [redacted]

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In Kampuchea, economic conditions are poor for both the Vietnamese Army and the civilian populace. Vietnamese troops control only main towns and roads, and must be supplied over long transport routes from Vietnam. Low levels of rice production in Kampuchea and flood damage to the crop harvested just before the Vietnamese invasion reduced the amount of food that could be supplied to or commandeered by the Vietnamese. The Pol Pot forces reportedly took large stocks of rice with them when they fled to secure base areas. Food production in those parts of Kampuchea controlled by Vietnam has yet to be systematically organized. The civilian population is being enjoined to restrict food consumption, and especially to avoid the temptation of eating rice set aside for seed for the crop to be planted beginning this month. [redacted]

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So long as the mobilization continues and the Vietnamese Army remains bogged down in Kampuchea, Vietnam will be highly dependent on the USSR to provide needed imports and to compensate for Vietnam's lack of economic progress. Many Western aid donors are reconsidering their aid programs to Vietnam, and large amounts of new Western aid are unlikely. Vietnam is also now less attractive as an aid client of international financial institutions and as a borrower for commercial funds.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Egypt - West Germany

Egyptian Ambassador Sirry yesterday provided the US Embassy in Bonn an account of President Sadat's talks last week with West German officials. Sadat allegedly received a "favorable" response to his request for increased assistance in developing Egypt's economic infrastructure. According to Sirry, West German officials clearly prefer to provide aid in a multilateral context so as to dilute the focus of Arab irritations and are especially anxious that the Saudis, Japan, the US, and perhaps other EC member-states be involved. Chancellor Schmidt reportedly said that he was seriously considering placing the subject of aid to Egypt on the agenda of the Western seven-nation economic summit in Japan in June.

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China-Yugoslavia

The US Consul in Hong Kong reports that, for the first time since President Tito visited Beijing in 1977, Chinese media have published a critique of the Yugoslav economy. The New China News Agency release from Belgrade last Saturday alleged that Yugoslavia has invested in a number of economically unsound projects financed with long-term foreign credits. The Consul notes the striking parallels to Beijing's current reassessment of its capital investment plans.

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Ghana

The government yesterday announced that General Akuffo, the head of state, has postponed his trip to three European capitals scheduled to begin tomorrow. The US Embassy in Accra reports it has learned [redacted]

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[redacted] that Akuffo's main reason for postponing the trip was to review a request from Ghana's political parties that the return to civilian rule--set last summer for 1 July--be delayed so that they would have more time to select candidates and to organize campaigns. The Embassy notes the Ghanaian public's strong desire for civilian control and doubts Akuffo and his colleagues on the ruling military council would opt for a delay without popular support. A six-month deferral, according to the Embassy, would enhance the prospects of stringent economic reforms now under way and would make the new political procedures more familiar to the electorate. [redacted]

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Western Europe - US

The US Embassy in Bonn reported yesterday that the nuclear incident near Harrisburg has aroused considerable interest and comment in West Germany. West German cabinet members concerned with nuclear policy are to convene today at the request of Interior Minister Baum, who had sent two reactor safety experts to Harrisburg. The Embassy described official West German reaction to the incident as cautious and added that it appeared to have increased the size of the crowd demonstrating at Hannover on Saturday against development of the reprocessing plant in Gorleben. The French Government, which also has sent nuclear safety experts to the US, reportedly is having a ministerial-level session on nuclear policy today, apparently to decide on authorizing an additional five nuclear power stations. [redacted]

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